

**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
Whether there has been a violation
of the Securities Act of Washington by:

UNITED COMMUNITY SERVICES OF AMERICA,
INC., INTERNATIONAL TESLA ELECTRIC
COMPANY, BETTER WORLD TECHNOLOGIES,
INC., DENNIS LEE, CHARLES W. McANLIS,
JEFFRY OTTO,

Respondents.

SDO – 64(A) - 99

SUMMARY ORDER TO CEASE AND DESIST

Case No. 99-05-014

THE STATE OF WASHINGTON TO: UNITED COMMUNITY SERVICES OF AMERICA
INTERNATIONAL TESLA ELECTRIC COMPANY
BETTER WORLD TECHNOLOGIES, INC.
DENNIS LEE
CHUCK McANLIS
JEFFRY OTTO

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, United Community Services of America, International Tesla Electric Company, Better World Technologies, Inc. Dennis Lee, Chuck McAnlis, and Jeffry Otto, have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 to cease and desist from such violations. The Securities Administrator finds that delay in ordering the Respondents to cease and desist from such violations would be hazardous to the investors and to the public and that a Summary Order to Cease and Desist should be entered immediately. The Securities Administrator finds as follows:

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TENTATIVE FINDINGS OF FACT

I.

RESPONDENTS

1. **UNITED COMMUNITY SERVICES OF AMERICA (“UCSA”)** purports to be a company with a business address at 3002 State Route 23 North, Newfoundland, New Jersey 07435. UCSA is not registered to conduct business in the State of Washington. UCSA purports to manufacture and install perpetual motion machines. UCSA purportedly has 2000 “dealers” across the United States who promote the perpetual motion machine program, solicit investments in the program, distribute “certificates of beneficial interest” to investors, and operate cooperatives.

2. **INTERNATIONAL TESLA ELECTRIC COMPANY (“ITEC”)** is purportedly a company with a business address at 3002 State Route 23 North, Newfoundland, New Jersey 07435. ITEC is not registered to conduct business in the State of Washington. ITEC represents that it will sell electricity produced by perpetual motion machines.

3. **BETTER WORLD TECHNOLOGIES, INC. (“BWT”)** is a company purportedly owned by Dennis Lee with a business address at 3002 State Route 23 North, Newfoundland, New Jersey 07435.

4. **DENNIS LEE (“Lee”)** represents himself to be the Director of Marketing of ITEC. Lee represents his business address to be 3002 State Route 23 North, Newfoundland, New Jersey 07435.

5. **CHUCK McANLIS (“McAnlis”)** represents himself to be a “satellite service station” rather than a “dealer” for UCSA. McAnlis resides at 82 Gunn Road, Port Angeles, Washington 98362.

6. **JEFFRY OTTO (“Otto”)** represents himself to be a UCSA “dealer” and ITEC representative located at 250 D South Lyon #216, Hemet CA 92543.

II.

NATURE OF OFFERINGS

Certificates of Beneficial Interest

On September 17, 1999, a full page ad appeared in USA Today declaring “Tired of High Electric Bills . . . How About No Electric Bills, This Machine May Give You Free Electricity For the Rest of Your Life . . .” The ad invites people to attend free meetings at various locations across the country, including one in Yakima, Washington on October 16, 1999 and one in Tacoma, Washington on October 18, 1999. The ad, as well as a UCSA/BWT internet sites, solicits the public to invest in a cooperative to obtain a perpetual motion machine, which is described below. The local meetings are sponsored by the local “dealers”.

ITEC, UCSA, BWT, Lee, Otto, and McAnlis offer Washington residents an investment in a cooperative, which will consist of 50 people. Each person in the cooperative is expected to make a one-time investment of \$275 and receives a “certificate of beneficial interest” in ITEC and the perpetual motion machines. ITEC, UCSA, BWT, Lee, and Otto represent that this certificate entitles the holder to beneficial use of a perpetual motion machine for life, which may result in a significant return on investment for the investor through savings because the investor may never have to pay another electric bill again. ITEC, UCSA, or BWT will service and maintain the machine; investors do not purchase the perpetual motion machine. Investors are entitled to use the perpetual motion machine as long as revenues are generated for ITEC by commercially selling electricity. ITEC, UCSA, BWT, and Lee represent that the free electricity program will set the public free from the central electric power grid even though Lee claims that big business and the government conspire to keep the perpetual motion machine off the market, claim that the perpetual motion machine will benefit society by reducing pollution, and represent that 20% of the income generated by selling energy as a commodity will be used to restore family values in America, feed the hungry, cloth the naked, take care of widows and orphans, and to finance the restoration of a Constitutional government. Electricity will purportedly be provided through the

1 perpetual motion machines, which is described as a “counter-rotational” device. Even though McAnlis has
2 stated in a letter addressed to all churches, clergy, and members that this “sounds like a perfect scam”, he
3 assures that the perpetual motion machine is a wonderful energy machine and is able to fulfill all the claims
4 made. However, ITEC, UCSA, BWT, Lee, Otto, and McAnlis fail to disclose how the laws of physics are
5 overcome to produce perpetual motion. In addition, ITEC, UCSA, BWT, Lee, Otto, and McAnlis fail to
6 disclose that the builder of the machine claims that the machine uses more energy than it produces.

7 ITEC, UCSA, BWT, Lee, Otto, and McAnlis represent that \$75 of each investor’s \$275 will be used for
8 administrative, organizational, registration, and processing fees and the remaining \$200 (\$10,000 total for 50
9 investors) will be held by a trustee or other third party until a working perpetual motion machine is ordered and
10 installed for the first investor in the cooperative. McAnlis represents that Lee will then obtain a loan (secured
11 by the first perpetual motion machine), which will fund the second perpetual motion machine to be installed for
12 the second investor in the cooperative. This process will purportedly be repeated until a perpetual motion
13 machine is installed for all 50 investors in the cooperative. McAnlis represents that the loans will be repaid by
14 selling excess electricity to local power companies. ITEC, UCSA, BWT, Lee, and Otto represent that
15 approximately two-thirds of each investor’s \$200 will be used to by ITEC to advance a commercial electricity
16 sales program in order to create income from the sale of excess electricity produced by the machine. ITEC,
17 UCSA, BWT, Lee, and Otto represent that this income will fund “free electricity machines” on the homes of all
18 50 members of each cooperative.

19 ITEC, UCSA, BWT, Lee, and McAnlis represent that there is no risk in making this investment because a
20 third party will hold the investment funds. ITEC, UCSA, BWT, Lee, and Otto guarantee that either that the
21 first working perpetual motion machine will be delivered to the first investor within one year or the investment
22 funds will be returned to investors. If the first working perpetual motion machine is installed within the first
23 year, then the remaining investors will either receive a perpetual motion machine within one year or their
24 investment funds. ITEC, UCSA, BWT, Lee, and Otto instruct investors to write two separate checks: one in

1 the amount of \$75 made payable to the “dealer” and the other payable to an ITEC Trustee Account. However,
2 ITEC, UCSA, BWT, and Lee do not disclose the identity of the trustee or other person(s) who control this
3 account. To represent that there is no risk in this investment is misleading because no financial statements are
4 provided, and other information necessary to evaluate the program is not provided such as the current number
5 of perpetual motion machines ITEC, UCSA, or BWT are obligated to install based on prior sales; the means by
6 which ITEC intends to market and distribute “excessive electricity”; the total amount being raised; the
7 minimum capitalization needed to proceed with program; the stage of development of the perpetual motion
8 machine; the likelihood that investors will receive a return on their investment; the registrations status of the
9 investments being offered in the State of Washington; and the need to license ITEC, UCSA, BWT, Lee, Otto,
10 and McAnlis to offer or sell securities in the State of Washington. In addition, ITEC, UCSA, BWT, Lee, and
11 Otto also failed to disclose that this investment has risks because the Securities Division of the Tennessee
12 Department of Commerce and Insurance temporarily enjoined, among others, Lee, UCSA, ITEC, BWT, during
13 October 1999, for violating the anti-fraud provision of the Tennessee Securities Act, for offering the investment
14 described herein without registration in Tennessee, and for transacting business as an unregistered broker-
15 dealer and agent. Furthermore, ITEC, UCSA, BWT, Lee, Otto, and McAnlis also failed to disclose that in
16 October 1985 the Washington State Attorney General enjoined, among others, Dennis M. Lee, a/k/a Josiah
17 David, for violations of the Consumer Protection Act, Retail Installment Sales Act and Regulation Z of the
18 Federal Truth in Lending Act in connection with marketing and selling a similar program, a solar energy
19 savings program. Lee agreed to a stipulated judgment of \$31,000 but left Washington without paying the fine.

20 ITEC, UCSA, BWT, and Lee represent that Lee was “put into a Prison for two years for a civil code
21 registration violation, and, to this date, has never had a trial or ever even been convicted of the offense.”
22 However, this representation is misleading because Lee pleaded guilty to seven of 47 felony counts in May
23 1990. The Ventura County, California District Attorney’s Office filed 47 felony charges against Lee under
24 California’s Seller Assisted Marketing Plan and grand theft.

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Loans

In addition to soliciting an investment in “certificates of beneficial interest”, McAnlis also solicited an investment opportunity with “fantastic returns”, which was addressed to all churches, clergy and members on or about April 8, 1999. This investment is in the form of a \$10,000 “loan” to fund perpetual motion machines, which are to be installed for members of the cooperatives. McAnlis represents that if investors roll their investments over, investors will double their money each year, up to five years. For example, an investor who invests \$10,000 could receive \$160,000 at the end of five years by rolling over the investment. McAnlis represents that payment will be made as long as ITEC is selling power. McAnlis does not disclose the identity of the borrower of the loans.

McAnlis represented that the investment proceeds will be used to fund the perpetual motion machines and will be repaid from sales of excessive electricity produced from these machines. However, McAnlis failed to provide financial statements and other information necessary to evaluate the claim of future returns. In addition, McAnlis does not disclose how the laws of physics are overcome to produce perpetual motion from the machines which are to produce profits to repay the loans. Furthermore, McAnlis does not disclose Lee’s prior legal problems in connection with similar programs.

III.

ITEC, UCSA, BWT are not currently registered to sell the “certificates of beneficial interest” or “loans” in the state of Washington and have not previously been so registered.

IV.

Lee, Otto, McAnlis, UCSA, BWT are not currently registered as a securities salesperson or broker-dealer in the state of Washington and have not previously been so registered.

V.

The Securities Administrator finds that an emergency exists because: (1) ITEC, UCSA, BWT, and Lee are offering investments called “certificates of beneficial interest” and “loans” in the State of Washington without

adequate disclosure and without registration under the Securities Act of Washington, (2) ITEC, UCSA, BWT, and Lee have been temporarily enjoined from offering investments in the free electricity cooperatives or any other investment plan in Tennessee, but they nonetheless are offering the investments in Washington without registration, (3) Lee has previously been enjoined by the State of Washington for conduct related to marketing and selling solar energy savings programs in Washington and has failed to pay the fine, (4) Lee has previously pleaded guilty to seven felony counts for conduct relating to the promotion of energy savings programs, and (5) ITEC, UCSA, BWT, and Lee are scheduled to conduct a meeting in Tacoma on the date of this order promoting his “free electricity” program to Washington residents.

Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

CONCLUSIONS OF LAW

I.

The offer or sale of the investments as described above in paragraphs I through IV of the Tentative Findings of Fact, constitutes the offer of a security as defined in RCW 21.20.005(10) and (12), to wit: an investment of money or other consideration in the risk capital of a venture with the expectation of some valuable benefit to the investor where the investor does not receive the right to exercise practical and actual control over the managerial decisions of the venture; an investment contract, or any interest or instrument commonly known as a security.

II.

The offer of said securities to the public without registration, or an exemption from securities registration, violates RCW 21.20.140, which requires the offer and sale of securities to be registered or exempted from registration prior to any offer being made. No securities registration or claim of exemption from securities registration for such offer is on file with the Securities Administrator, State of Washington.

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III.

UCSA, BWT, Lee, Otto, and McAnlis have each violated RCW 21.20.040, which requires securities salespersons and broker-dealers to be registered or exempted from registration prior to offering and selling securities in the State of Washington. No registration for UCSA, BWT, Lee, Otto, or McAnlis is on file with the Securities Administrator, State of Washington.

IV.

ITEC, UCSA, BWT, Lee, Otto, and McAnlis have each violated RCW 21.20.010, which makes it unlawful for any person, in connection with the offer and sale of securities, to engage in any act which would operate as a fraud or deceit upon any person, to make any untrue statement of material fact, or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

V.

The Securities Administrator concludes the continued violations of RCW 21.20.140, the securities registration section of the Securities Act, RCW 21.20.040, the securities salesperson and broker-dealer section of the Securities Act, and RCW 21.20.010, the anti-fraud provisions of the Securities Act constitutes a clear and present danger to the investing public, and that summary orders to cease and desist from those violations are in the public interest and necessary for the protection of the investing public.

SUMMARY ORDER

Based on the foregoing, NOW, THEREFORE,

IT IS HEREBY SUMMARILY ORDERED That United Community Services of America, Inc., International Tesla Electric Company, Better World Technologies, Inc., Dennis Lee, Charles McAnlis, Jeffry Otto, and their agents, employees, and representatives shall each cease and desist from offering or selling securities in any manner in violation of RCW 21.20.140, the section of the Securities Act requiring registration,

1 or an exemption from registration, of securities. Violation of RCW 21.20.140 includes offering or selling
2 securities in the State of Washington or soliciting or receiving any money other consideration from Washington
3 residents for an investment without first registering the securities, or qualifying for an exemption from
4 securities registration.

5 IT IS FURTHER SUMMARILY ORDERED that United Community Services of America, Inc., Better
6 World Technologies, Inc., Dennis Lee, Charles McAnlis, Jeffry Otto, and their agents, employees, and
7 representatives, their agents, and employees shall each cease and desist from violation of RCW 21.20.040, the
8 section of the Securities Act requiring registration of securities salespersons and broker-dealers. Violation of
9 RCW 21.20.040 includes offering or selling securities in the State of Washington or soliciting or receiving any
10 money from Washington residents for an investment without first registering as a securities salesperson or
11 broker-dealer.

12 IT IS FURTHER SUMMARILY ORDERED that United Community Services of America, Inc.,
13 International Tesla Electric Company, Better World Technologies, Inc., Dennis Lee, Charles McAnlis, Jeffry
14 Otto, and their agents, employees, and representatives, their agents, and employees shall each cease and desist
15 from violation of RCW 21.20.010, the anti-fraud section of the Securities Act. Violation of RCW 21.20.010
16 includes offering or selling securities by means of misrepresentations and misleading statements, and other
17 conduct that would tend to work a fraud on Washington residents.

18 **AUTHORITY AND PROCEDURE**

19 This Order is entered pursuant to the provisions of RCW 21.20.390, and is subject to the provisions of
20 Chapter 34.05 RCW. The Respondents, United Community Services of America, Inc., International Tesla
21 Electric Company, Better World Technologies, Inc., Dennis Lee, Charles McAnlis, Jeffry Otto, may each make
22 a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND
23 OPPORTUNITY FOR HEARING accompanying this order. If a Respondent does not request a hearing, the

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Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and make the Summary Order to cease and desist permanent as to that Respondent.

WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

DATED this _____ day of October, 1999.

DEBORAH R. BORTNER
Securities Administrator

Approved By:	Presented by:
Michael E. Stevenson	Marlo DeLange
Chief of Enforcement	Securities Examiner

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